

A CONSENSUS FOR HOUSING:

*The Opportunities Posed by
Regional Growth Management
in the Bay Area*

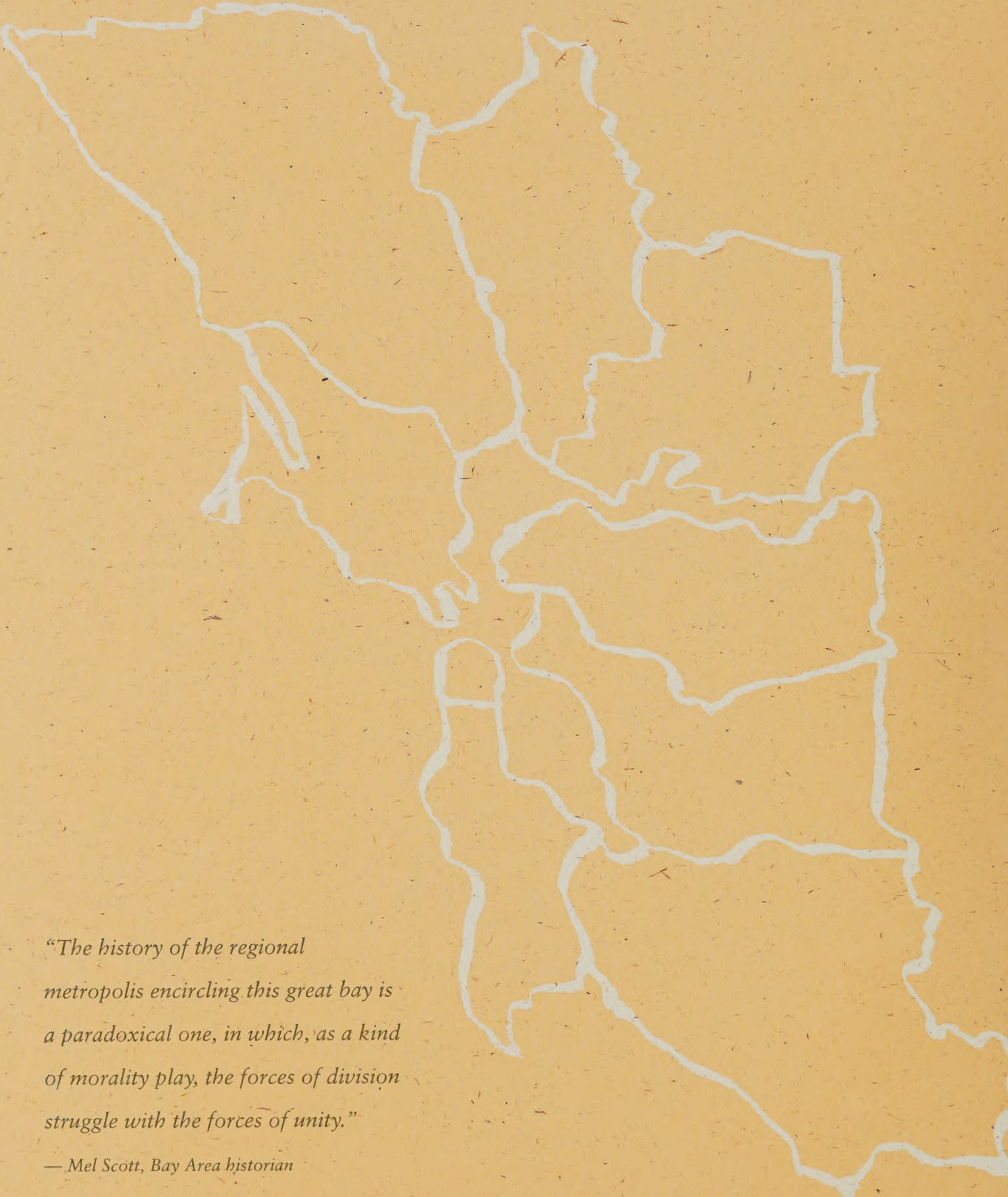
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*"The history of the regional
metropolis encircling this great bay is
a paradoxical one, in which, as a kind
of morality play, the forces of division
struggle with the forces of unity."*

— Mel Scott, Bay Area historian



A GOLDEN OPPORTUNITY

Despite nearly twenty years of concern, debate and rhetoric, finding an affordable place to live in the Bay Area is still extremely difficult.

Tired of waiting on government for more housing, individuals and organizations are creating their own solutions. Workers move out of the region and commute in. Others, along with a growing number of employers, leave the region altogether. Many of those who cannot or will not leave the region face dismal choices between overcrowding, paying too much of their income or becoming homeless. As we have all read, the trend does not bode well for either the environment or the economy in the region.

One can make all sorts of arguments about the forces contributing to the affordable housing shortage in the Bay Area. But in the final analysis, the abiding nature of the problem must be laid at the feet of those who are responsible for public policy — at all levels of government. The existing planning process, as articulated by the state, region and local governments, does not provide strong enough incentives for local officials and their constituents to make the tough choices that would enable new affordable housing to be built.

So, what's to be done?

This spring, the Bay Vision 2020 Commission called for the creation of a single regional growth management agency, formed by the consolidation of the Association of Bay Area Governments (ABAG), the Metropolitan Transportation

Commission (MTC) and the Bay Area Air Quality Management District (BAAQMD). According to the Commission, the mission of this new agency should be: to address the land-use factors influencing a range of economic, environmental, and governmental problems — including the shortage of affordable housing.

Regional Growth Management and Affordable Housing: A Symbiotic Relationship

As Bay Vision 2020 points out, Bay Area workers who can't afford housing near their jobs turn to far-away housing that they can afford. But in the bargain, they contribute to traffic, air pollution, and disappearing open space. For this reason, a

focus on affordable housing can reinforce regional growth management by encouraging new housing construction where it is needed most, thereby reducing pressures on areas most everyone would rather see undeveloped. Conversely, regional growth management can help solve the region's affordable housing crisis by identifying clear areas where housing — especially affordable housing — should be developed, and by creating new incentives for both local governments and the private sector to follow through with approvals, bricks, and mortar.

Bay Vision 2020 articulated two fundamental principles to guide the work and policies of this new agency: all parts of the region should provide “their fair share of affordable housing for all of our population,” and the region's residents should be able “to find good quality, affordable housing in reasonably close proximity to their workplaces.”

Bay Vision 2020 did not go beyond principles. In this report, we take the next step.

Published by the Local Housing Element Assistance Project (LHEAP), a joint project of the

Bay Area Council and the Association of Bay Area Governments, this report addresses ways in which the state/regional/local process of planning for long-term housing needs can be strengthened by the creation of a regional growth management agency. We suggest that this new agency can fit into a planning process that will result in the construction of enough new affordable homes, apartments, duplexes, townhouses, and condominiums to meet the region's needs.

In this report, however, we also recognize the role that tax policy plays in housing and propose changes that would level the playing field for officials whose land-use decisions are conditioned by fiscal goals.

We hope this report will provide a basis for dialogue and encourage others to think broadly about the interaction between housing and regional planning. Most importantly, we hope the region will build on Bay Vision 2020's work to commit itself to a humane housing policy that provides shelter and comfort for people of all walks of life.





WHAT'S WRONG WITH OUR CURRENT APPROACH TO HOUSING?

Put simply, there's no mandate to build affordable housing in the Bay Area.

The state of California has articulated policies that address the importance of planning. Regional agencies talk about the relationship of housing to a host of issues. Meanwhile, many local governments make paper promises to encourage more housing, but when actual projects are before them, they often turn thumbs down.

At the heart of the planning crisis is the state-mandated "fair share process." Every five years, the state, the region, and local governments engage in a process of addressing local and regional housing needs based on the premise that each community should provide its fair share of housing for those of all income levels.

But the process is inherently flawed. ABAG makes allocations of housing needs to local governments without regard for local fiscal resources or site availability. The process also fails to account for other planning considerations, such as putting housing close to jobs or existing transportation services. Because the allocation process lacks incentives or enforcement, and seems to have so little to do with what they have to work with, local governments tend to ignore the fair share process, seeing it simply as one more state-mandated bureaucratic requirement.

Ironically, the only mandate for housing that seems to make a difference is the local one. If support for the development of affordable housing

is strong among local elected officials, communities can be tremendously successful. In Fremont, for example, local actions including designating land, pursuing bond financing, and encouraging developers to take advantage of density bonuses have led to the creation of several thousand new affordable units in the last ten years. Fairfax has met its housing needs by encouraging more apartment construction and in-fill development.

These two communities, along with a handful of others, have come close to or exceeded their fair share goals. But in those communities where there is no strong commitment to building affordable housing, the absence of mandates or incentives from higher levels of government makes it all too easy for residents and officials to assume that someone somewhere else will take care of the problem.

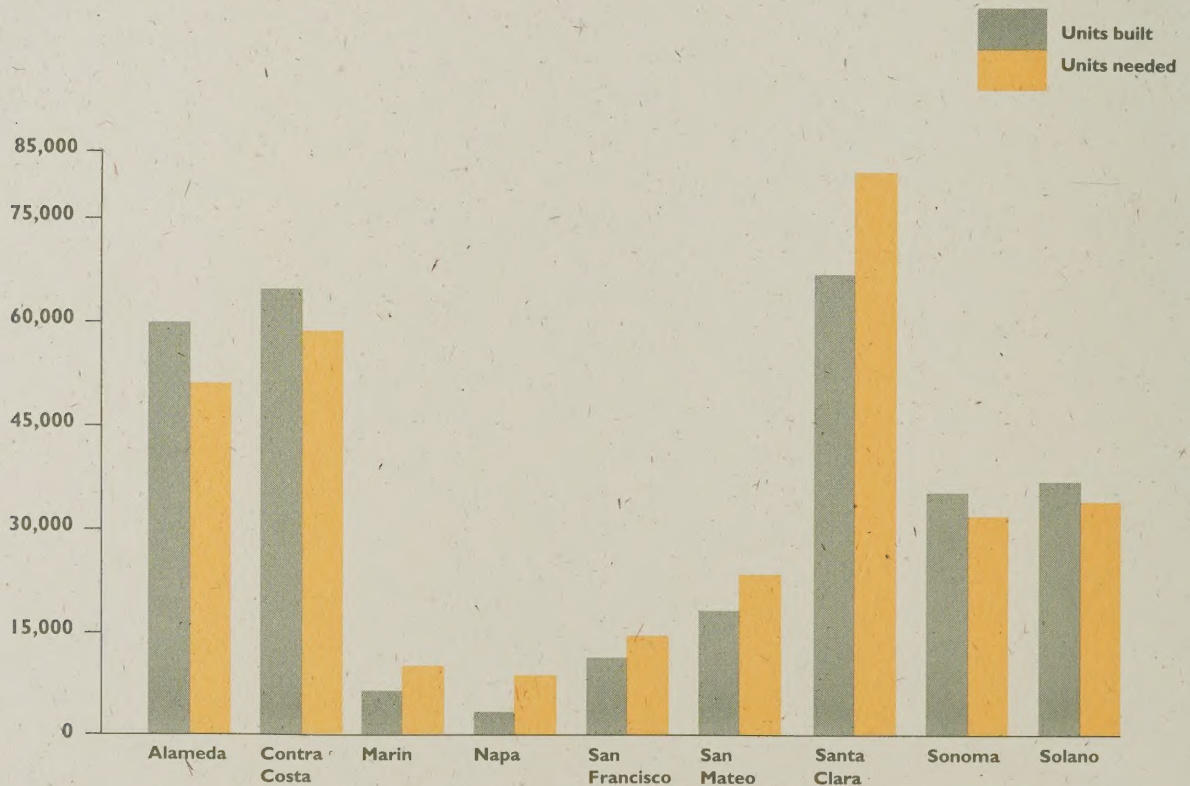
The failure of the fair share process is evident in the numbers. Between 1980 and 1990, five out of nine Bay Area counties — Marin, Napa, San

Francisco, San Mateo and Santa Clara — did not meet their overall fair share housing goals. No county in the Bay Area built even half of its allocation for individuals and families below the median income in the Bay Area.

As a result, housing costs consumed a larger and larger share of the take-home pay of middle

and lower income families. And for this half of the population, the problem is getting worse — quickly. Current local government plans allow for construction of only 85% of the housing ABAG projects we will need by 1995. And again, most of that housing will be priced for the region's most affluent residents.

Bay Area Housing: Needed vs. Built, 1980 – 1990



Source: ABAG, *Housing Needs Determination, 1980-1990*. Oakland: ABAG, 1983. U. S. Census of Population & Housing, 1980 and 1990.



HOW DO WE CREATE A REGIONAL COMMITMENT?

Most planners, elected officials, and housing advocates in the Bay Area would agree that the current fair share system has three principal faults.

It fails to engage local commitment to the production goals, lacks incentives to enable or enforce compliance, and does not support broader regional planning efforts aimed at sustaining the environment and economy in the region.

Bay Vision's proposal offers an opportunity to ask how a new regional growth management agency might oversee a stronger fair share housing program. But as we begin this discussion, it's important to keep in mind a set of values that can guide us to a balanced but purposeful new approach. Fundamentally, these values should include a reaffirmation of the fair share principle, a commitment to comprehensive regional planning, a recognition of local control, incentives for local governments, a process that values dialogue, and a result that offers certainty to the private and public sectors to allow for needed housing.

Goals Need to Be Realistic and Credible

To be effective, the housing allocation process has to be revised to balance an equitable allocation of needed housing with a consideration of the resources available in each community. The new system should also factor in other regional planning goals, while allowing local governments

to work with the regional agency and each other to shape the final allocations.

Specifically, the regional agency should allocate the total housing need based on an assessment of demographic patterns taking into account the following:

- the availability for housing of vacant and redevelopable sites, both designated and not yet designated for residential use,
- the capacity of existing and planned infrastructure, and
- current and anticipated employment growth.

Local governments then should have the opportunity to respond to the assignments. The regional agency should make adjustments as long as the region's overall needs are met and the changes are consistent with the fundamental values articulated above. Where possible, the regional agency should encourage communities within a given commute-shed to evaluate their needs in common.

The Elements of a Workable Solution

FAIR SHARE PRINCIPLE: All communities should make equitable and substantial commitments to the construction of new housing for all income levels. No community should be a ghetto — for either the poor or the wealthy.

COMPREHENSIVE PLANNING: The pattern of housing location should support regional planning objectives, strengthening the coherence of the metropolitan system and preserving the natural environment.

LOCAL CONTROL: Local governments should participate in the allocation process and retain the authority to make specific decisions about sites.

INCENTIVES: Incentive funds should be sufficient to make planning for affordable housing a financially viable option for local communities. Penalties should be substantial enough to encourage all communities to meet their fair share.

DIALOGUE AND BARGAINING: Regional allocations should reflect a process that allows for sufficient dialogue between local governments and the regional agency.

CERTAINTY: The result of the process should be clear to the public and to the builder/developer community so as to hold down housing prices and rents by minimizing project-approval costs.

Communities might also be given the opportunity to transfer some portion of their allocation to another community as long as the following conditions are met:

- allocations stay within a given commute-shed,
- sufficient revenues are transferred to support construction, residential community services and infrastructure,
- the transferring community has otherwise made substantial progress on its fair share goals,
- the regional agency agrees that the transfer is consistent with comprehensive regional planning goals, and
- the transfer does not lead to further impaction of existing low-income communities.

Fiscal Incentives Will Make Housing More Attractive

Present fiscal policy is strongly biased against housing (see page 8). Thus, many communities find it politically and financially difficult to support housing development. A new regional growth management agency should have the ability to provide fiscal incentives to communities that make a strong commitment to meeting regional housing needs. Incentives could:

- lower the cost of housing to make it affordable to low-income families,
- help develop sites being converted from other uses to new housing,
- build infrastructure — including, for example, streets, schools, and childcare facilities — to support the needs of new and existing residents, and
- pay for other community services needed by new residents.

Possible sources for housing-related fiscal incentives:

- state and federal grants for transportation infrastructure now administered by MTC,
- a regional gas tax,
- a surcharge on utility bills,
- regional bond measures,
- other infrastructure user fees, or
- regional tax-sharing.

Communities That Don't Plan to Accommodate Their Fair Share Should Be Penalized

No matter how many positive inducements are created to encourage communities to build their fair share, however, some communities will still try

to erect a wall to keep others out. Without question, those communities should face stiff penalties and be placed low on the priority list for state and regional funds.

Specifically, the regional agency should be empowered to withhold, or encourage the state to withhold, funds that would underwrite non-housing-related community improvements, including, for example:

- parks and recreation,
- non-housing related redevelopment,
- streets and sewers.

Changes in state law could also make it more difficult for local governments to arbitrarily turn down housing proposals if they are behind in their efforts to meet their fair share allocation.



How Fiscal Policy Hurts Housing

Proposition 13 cut local property tax revenues as a share of total municipal spending almost in half (see chart). By decreasing revenues, it put pressure on elected officials to control the growth of government and adopt a user-fee approach to many public services. It forced local governments to become entrepreneurial, to favor revenue-generating land uses — like shopping malls, business parks and so on — over tax-consuming uses like housing.

The fiscal situation was compounded in the 1980s by a growing political movement to reduce state and federal spending and push responsibility for policy and action back down to local levels. While many officials welcomed the opportunity to tailor programs to meet the needs of their community, many also found their resources getting stretched thinner and thinner. Moreover, the public, now grown used to the largess of the state and federal government, continued to demand services from local officials.

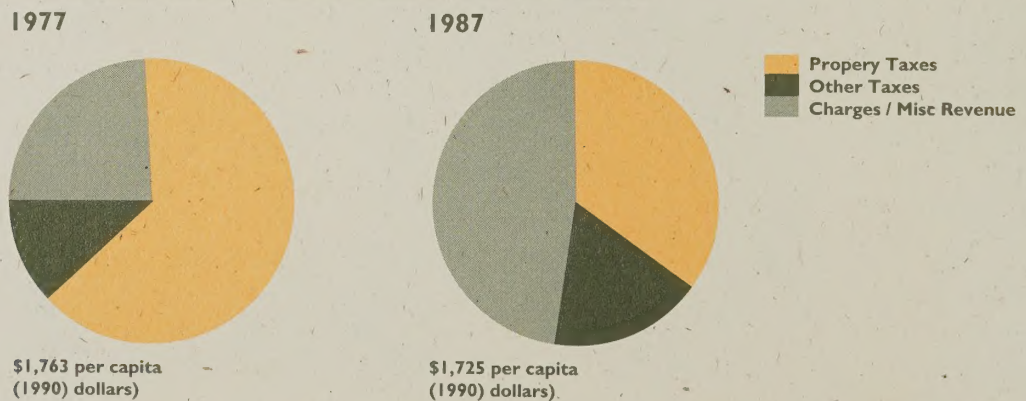
Ironically, local governments now tend to see residents as liabilities and shoppers and workers as assets. Residents, after all, need roads, buses, schools, hospitals, day-care centers, parks, libraries, and senior citizen centers. As a result, communities all over the Bay Area have set aside a surplus of land for commercial and industrial development and too little land for housing.

Fiscal Politics Play to the “I’ve Got Mine” Mentality

Paradoxically, changes in the political and fiscal framework have tended to undermine the pursuit of more concentrated communities and encourage sprawl development. In environmental law, for example, a project-oriented review process has shunted larger regional environmental goals to the background. If densities are reduced on one project, for example, there is no mechanism to ask what the environmental cost will be to the region to build these units at the region’s periphery or beyond. Moreover, the project-oriented focus for environmental review gives added weight to the voices of a small minority of home-owners who may simply want to protect what they have against newcomers and the larger needs of society.

All in all, given the current political and fiscal framework for land-use decision-making, the planning commissioner or city council member who must approve a new housing development often finds the cards stacked against affordable housing. Faced with a room full of constituents against a project and only the shadows of the would-be residents, he or she finds it hard to champion an abstract need for more housing in the region.

Prop 13 Bites Bay Area’s Local Government Revenue Base



All levels of government (counties, cities, special districts, including school districts), all nine Bay Area Counties. Source: U. S. Bureau of Census.



HOW STATE POLICY NEEDS TO CHANGE

The state creates the framework for both regional and local planning.

Laws drafted by the legislature and regulations written by the executive agencies shape the ways in which local governments plan. To carry out the recommendations of this report the following changes are needed in state laws and policies.

Reshape Housing Element Requirements to Focus on Sites

Current state law requires local governments to provide a wide array of data and analysis in their local housing elements, but does not require special attention to land use and density. Requirements for housing elements should ensure that local governments show what sites they will make available to meet their housing goals for all income levels. Requirements should also emphasize proposed densities and certify whether or not cities are striving to comply with other relevant state housing laws.

Authorize New Fiscal Incentives

Authority will have to be given to the regional agency to raise tax revenues or authorize revenue sharing. The state should also stipulate that failure to comply with housing element law could jeopardize a local government's ability to receive other state funds.

Allow Transfer of Housing Allocations

A framework must be established for local governments to transfer housing allocations (entails a revision to Govt. Code Sec. 65584). Current state law permits reallocations in only one instance: from counties to willing cities with the approval of the appropriate Council of Governments.

The state has the responsibility to set standards for such transfers. For example, the state could prohibit the disproportionate transfer of very low and low-income housing units. It may also want to limit transfers within counties or require that no community be allowed to transfer more than a certain percent of its allocation to other jurisdictions.

Reform Housing Element Review and Implementation

Local governments consider the current housing element review process — performed at the state

level by the Department of Housing & Community Development (HCD) — cumbersome, bureaucratic, and unresponsive. Housing advocates, on the other hand, consider state review essential for ensuring that the state's legal requirements are met.

Both of these concerns are valid. It's important to keep in mind, of course, that new incentives and penalties will make more local governments want to meet state requirements. Even so, review authority will still be necessary. To meet the requirements of state law, while preserving both an important oversight role for HCD and a commitment to certainty that also implies a commitment to a speedy process, we propose the following roles for a new regional agency and for the state.

THE REGIONAL AGENCY WOULD BE RESPONSIBLE FOR:

- *developing regional housing standards*, including regional fair share assignments, that local housing plans would have to meet,
- *developing a system of incentives and penalties* to encourage local governments to adopt housing plans that comply with regional standards and state law,
- *reviewing local plans* and formulating an opinion on their compliance or lack thereof, and
- *developing a regional housing plan*, based on the regional housing standards, local plans, and the system of incentives and penalties used to encourage adoption and implementation of adequate housing plans. The regional housing plan would also be consistent with other elements of a comprehensive regional plan.

THE STATE WOULD BE RESPONSIBLE FOR:

- *developing the law* governing contents and purpose of local housing elements (state legislature),
- *reviewing and approving regional housing standards*, including the regional fair share allocations (HCD), and
- *reviewing the comprehensive regional housing plan*, including both the regional agency's summation of local programs and the regional agency's incentives and penalties to ensure local compliance (HCD).





CONCLUSION

Hard as it may be to remember, Bay Area leaders have struggled with growth management since at least the 1920s.

In that time, their efforts have focused on sustaining and protecting the ecological and economic strengths of the region. The Golden Gate Bridge, the Bay Bridge, the East Bay Municipal Utility District, the Bay Conservation and Development Commission, and the East Bay and Peninsula park districts all stemmed from the efforts of a coalition of residents and leaders working to address concerns that crossed local boundaries.

Yet despite the challenge we hold in common with the past, our society has changed dramatically in the last seventy years, and our solutions must be based on an understanding of the moment. Current population estimates show that by the year 2000 the Bay Area will gain more than a half million more residents. By the end of the century, nearly twice as many people will live in this region as lived here in 1960. And clearly it will be time, if it is not already, for more cooperative planning.

We can manage the region's growth. To do so, however, we must plan cooperatively and maintain those values that have characterized the Bay Area for more than a century: social tolerance, environmental conservation, and economic opportunity.

Today, local governments need regional coordination as much as the region needs improved transportation, housing and environmental protection. A new regional planning

agency does not need to undermine local authority, however, but to strengthen it. The new agency should define a system of values and goals and then give local governments the fiscal and political tools they need to realize those goals. Local officials should have a strong voice in shaping this new regional entity so that it improves local planning rather than hinders it.

But fundamentally, no regional agency will be successful without a greater commitment on the part of all of the region's residents to take responsibility for the region as a whole. What the Bay Area needs most of all is leadership, regional leadership, that begins in local communities and reaches out to the larger whole. The Bay Vision 2020 Commission began the development of this leadership. Now the process of implementing the vision belongs to all of us who must inspire our friends and neighbors to see a common purpose in shaping the Bay Area's future.

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A Consensus for Housing

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